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(71) Applicant: FLUTTER.COM LIMITED. [US/US]: 316  
11th Street, San Francisco, CA 94103 (US).

(72) Inventors: MONICAL, Vincent; Flat 8, Oak Hill, London NW3 7LP (GB). HANNA, Joshua, David; 115 New River Head, 173 Roseberry Avenue, London EC1R 4UR (GB).

(74) Agents: JAKOPIN, David, A. et al.; Pillsbury Winthrop LLP, 1100 New York Avenue, N.W., Washington, DC 20005 (US).

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**WO 01/55941 A2**

(54) Title: SYSTEM AND METHOD FOR USER-TO-USER ONLINE WAGERING

(57) Abstract: An online wagering system allows individuals to register with the service and establish a user account via, e.g., a credit card, over a distributed communication system such as the Internet. The user is then permitted to offer wagers to other system subscribers and to accept wagers offered by other subscribers. Offered wagers can be based on a number of events such as sporting events, political elections and the like. The systems established basic conditions on the bet and its win-lose evaluation, and a subscriber offering a wager may specify a wide variety of parameters and conditions on the bet as well. When the outcome of the wager is determined, the system transfers an appropriate amount of funds from the loser's account to the winner's account.

## SYSTEM AND METHOD FOR USER-TO-USER ONLINE WAGERING

### Background of the Invention

#### 1. Field of the Invention

The present invention is directed to gaming systems. More particularly, the invention is directed to online electronic gambling systems which permit system users to make wagers with one another.

#### 2. Background of the Related Art

Gambling is a well-known variety of entertainment and may take many forms. For example, gamblers may place bets with one another on the outcome of an event beyond their control, i.e., a sporting event or the like. They may place bets on games of chance with other players such as poker. They may wager against one another in these games, as with poker, or may play against a casino, as with blackjack and the like.

These betting events can take place in a personal setting, e.g., a casino or betting club, where bettors congregate with one another to place the games of chance or place wagers with betting agents. Some may also be adapted to use telephone networks, thereby expanding the area in which betting operations may take place (subject, of course to relevant laws and regulations). For example, a bettor wishing to make a wager can call a betting agent who is in another city, state or country to place the wager. Financial arrangements can be made to facilitate betting in a remote context such as this -- for example, the betting agent may require the bettor to establish an escrow account from which bets may be deducted and to which winnings may be paid, or betting transactions may be accomplished via credit card or the like.

The advent of the Internet and the World Wide Web have expanded the concept of remote wagering even further. While telephone wagering has generally been limited to non-interactive activities such as sports event wagering, the Internet allows participants to make such bets as well as participate in more interactive betting activities such as casino-type gaming, e.g., blackjack, craps, roulette, etc. A wide variety of betting games have been implemented over the Internet, including "play against others" games such as poker and "play against the house" games such as blackjack.

Although the Internet setting provides an ample basis for most of these types of betting, each requires significant involvement of a gaming authority or "house", i.e., an online casino or betting agent, in the process. For example, in online gaming activities the house can be an active player or participant, e.g., blackjack, or may provide the setting or regulate play activity, e.g., roulette and poker.

With sports betting in particular, the house accepts bets, sets odds and point spreads determining payouts, and distributes winnings. Although it is desirable for the house to handle the financial aspects of the transactions in order to ensure that it reaps a profit, bettors are nonetheless

restricted in that they can only bet on the events allowed by the house and can only do so under the odds, point spreads and other conditions set by the house. It is believed that a number of potential bettors who would have otherwise participated in the online gaming experience have been turned away by this lack of flexibility.

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### Summary of the Invention

In view of the above problems of the prior art, it is an object of the present invention to provide an online gaming system which permits bettors to place wagers with one another under conditions which they determine.

10 It is another object of the invention to provide an online gaming system which permits bettors to wager with one another on events of their own choosing.

It is yet another object of the invention to provide an online gaming system which allows users to make offers of wagers to other users of the system.

15 It is still another object to provide an online gaming system which permits bettors to make wagers with other bettors while providing a minimal amount of identifying information to the other bettors.

It is another object of the invention to provide an online gaming system which allows bettors to transact a wager with minimal involvement from the house.

20 The above objects are achieved according to a first aspect of the present invention by providing an online wagering system which, using a distributed communication system such as the Internet, allows individuals to register with the service and establish a user account via, e.g., a credit card. The user is then permitted to offer wagers to other system subscribers and to accept wagers offered by other subscribers. Offered wagers can be based on a number of events such as sporting events, political elections and the like. The systems established basic conditions on the bet and its win-lose evaluation, and a subscriber offering a wager may specify a wide variety of parameters and conditions  
25 on the bet as well. When the outcome of the wager is determined, the system transfers an appropriate amount of funds from the loser's account to the winner's account.

### Brief Description of the Drawings

30 These and other objects, features and advantages of the present invention are better understood by reading the following detailed description of the preferred embodiment, taken in conjunction with the accompanying drawings, in which:

FIG. 1 is a diagram of the major components in a wagering system according to a preferred embodiment of the invention;

FIG. 2 is a flowchart showing a subscriber registration process according to the preferred embodiment;

35 FIG. 3 shows a sample record from the user database illustrated in FIG. 1.

FIG. 4 is a flowchart showing a subscriber transaction session according to the preferred embodiment;

FIG. 5 is a flowchart showing a wager entry routine according to the preferred embodiment;

FIG. 6 shows a sample record from the wager database illustrated in FIG. 1;

5 FIG. 7 is a flowchart showing an unmatched wager routine according to the preferred embodiment;

FIG. 8 is a flowchart showing a wager account routine according to the preferred embodiment; and

10 FIG. 9 is a flowchart showing a financial account maintenance routine according to the preferred embodiment.

#### Detailed Description of Presently Preferred Exemplary Embodiments

A preferred embodiment of the invention is shown generally in FIG. 1. Here, users 10 communicate with the wagering system 20 via the Internet 30. The users 10 are most likely private individuals who use personal computers (PCs) to communicate on the Internet via an Internet Service  
15 Provider (ISP) via a telephone modem, Digital Subscriber Line (DSL) or the like. Implementation using equivalent technologies, e.g., Personal Digital Assistants (PDAs), ITV, WAP and the like are also contemplated as being within the scope of the present invention.

Also communicating with the Internet is a wagering system 20 implemented on an appropriate server system as will be apparent to those skilled in the art, which is configured to communicate with  
20 the users 10 using communication software and corresponding application protocols. For example, in the preferred embodiment each user runs a World Wide Web browser which is capable of displaying web pages, audio and the like generated by the wagering system 20 in Hypertext Markup Language (HTML), Java or the like and delivered to the users 10 via Hypertext Transfer Protocol (HTTP), as is known in the art.

25 The wagering system 20 is itself connected to a credit system 40 with which it performs financial transactions with a financial agency or banking institution regarding betting activities of the users 10, as will be described in greater detail below. Preferably, the communication link between the wagering system 20 and the credit system 40 is over a dedicated or non-distributed connection, i.e., a dial-up telephone connection; however, this link also may be implemented over the Internet with  
30 appropriate security measures (such as a Secure Socket Layer (SSL) or similar form of encryption) in place. Also, it should be noted that for purposes of simplicity only one credit system 40 is shown here; however, the wagering system 20 may in fact be connected to a number of different credit systems 40 to accommodate different payment systems preferred by various ones of the users 10. Similarly, the credit system 40 need not correspond to a single institution and may in fact be a  
35 network of such institutions or the like.

Finally, the wagering system 20 is connected to a number of databases, including a user database 50 and a wager database 60, the use of which will be described in greater detail below. These databases may be resident within wagering system 20, may be nodes on a Local Area Network (LAN) or similar network to which the wagering system 20 is connected, or may be resident on servers more remote from the wagering system 20 and connected to it by a dedicated or distributed communication link as with the credit system 40. Preferably, when the user database 50 and the wager database 60 are remote from the wagering system 20, communication therebetween is protected by appropriate security measures such as encryption.

The operation of the preferred embodiment will be explained in terms of the functionality displayed during the course of registering a new user and performing various wagering transactions for that user. At the outset, it should be noted that throughout this document, the terms "bet" and "wager" and variants thereof, e.g., "betting" and "wagering", are used interchangeably and no particular distinction is intended by the use of one word in place of the other.

#### New User Registration

First, arranging wagers between individuals in the preferred embodiment is not done on an *ad hoc* basis; in order to conduct wagering transactions a user 10 must be registered with the wagering system 20. FIG. 2 shows the registration process. This process would typically be initiated by an unregistered user 10 using her web browser to display a welcome screen generated by the wagering system 20. Preferably, the welcome screen identifies the wagering system 20, includes a "Log In Registered User" button or form fields which registered users 10 can actuate to log in to the system, and includes a "Register New User" button which unregistered users 10 can use to begin the registration process.

When the "Register New User" button is actuated in Step 110, the wagering system 20 generates and delivers a web page form, Java dialog applet or the like which prompts the user 10 to provide personal information about herself, and this information is used in Step 120 to verify that the registering user 10 is not part of a class of individuals who are prohibited from using the system. For example, the wagering system 20 may use this information to verify that the registering user 10 is not a minor nor a bookmaker, i.e., a bookie. Additionally, given the worldwide nature of the Internet it may be necessary to verify that the user 10 is not accessing the system from a country where wagering activities such as those facilitated by the preferred embodiment are legally restricted, e.g., the United States of America. For this, the user's IP address cannot generally be relied upon, since a user in one country may have an address assigned to a different country. However, alternative means such as electoral rolls and the like can be used. This also provides an expedient mechanism for confirming the user's age and address.

Additionally, in Step 110 the system preferably asks for the user's full name, date of birth and gender; home address, telephone number and e-mail address; and hobbies and interests. the two

former groups of information may be entered via web page form blocks or the like, while the latter group (hobbies and interests) can be entered with an array of check boxes, radio buttons or the like listing popular hobbies and interests.

Some or all of this information may not be essential to any of the registration or wagering operations; however, it can be used to send the user promotional material regarding forthcoming developments in the system; additionally, it can be provided to third parties for similar purposes. Preferably, the registration dialog provides a check box or the like through which a user 10 can opt out of receiving promotional material or having her personal information provided to outside parties; alternatively, specific form fields or check box groups can be designated as optional, so that the user's registration may be completed even if those are not filled in.

Finally, as is known in the art such information can be aggregated to derive demographic data on the users 10 as a whole, and this demographic information can be used by advertisers to develop targeted marketing materials. Since the demographic material describes the users 10 as a whole and does not specifically pertain to any particular user 10, there should be no privacy issues associated with disclosure of such information to third parties.

If the unregistered user 10 appears to be a member of a class prohibited from using the system, e.g., minors, bookies, etc., in Step 130 the wagering system 20 provides them with a rejection screen explaining that their registration has been declined. Preferably, the screen also provide a telephone number or e-mail address for subscriber assistance personnel who can be contacted if the user 10 believes the rejection was made in error.

If, on the other hand, Step 120 determines that the user 10 is eligible to register with the system, in Step 140 the wagering system 20 provides her with a web page or the like prompting her to provide financial information which can be used to establish a user account in user database 50 as will be described in greater detail below. The financial information can be, e.g., a credit card number, billing address and expiration date; similar information for a debit card; or another financial device through which money may be electronically withdrawn to establish the minimum required balance for the user account. To this end, it should be noted that FIG. 1 shows credit system 40 merely for ease of explanation, and debit systems and the like are also intended to be included in this designation.

In Step 150, the financial information provided in Step 140 is confirmed by, e.g., querying credit system 40 to determine that a charge sufficient to cover the minimum required balance, e.g., \$500, can be made against the specified account. Then, once the registration is complete the charge may be made to establish a user account in the user database 50. However, the financial information is preferably confirmed by actually making the charge and determining whether the credit system 40 accepts or rejects it. If the charge is rejected, meaning the user 10 does not have sufficient credit (in the case of a credit card) or sufficient funds in her account (in the case of a debit card), the rejection screen is displayed as before.

Users may also make deposits into the account by check. Furthermore, special promotions may offer a fixed amount per user account which is available after the user's credit verification.

If, however, the credit system 40 accepts the charge or otherwise indicates the charge is allowable, the wagering system 20 generates a screen prompting the user 10 to choose a Subscriber ID and password in Step 160. Preferably, the wagering system 20 accepts only Subscriber IDs which are a string of alphanumeric characters between, e.g., five and eight characters in length, and passwords having the same characteristics.

In Step 170 the wagering system 20 checks to see if the selected Subscriber ID is already used in user database 50 to identify another subscriber. If so, the user 10 is directed to choose another Subscriber ID. If not, in Step 180 the wagering system 20 registers the user by creating a record 200 in the user database 50 including the user's Subscriber ID and password 220, personal information 230 and financial information 240, and user account information 250. The record 200 may additionally include wager information 260 as will be explained in greater detail below. A preferred record format is shown in FIG. 3; however, variations will be readily apparent to those skilled in the art.

Also, it should be noted that although in the preferred embodiment the user database 50 includes personal, financial and escrow balance information for each registered user 10, this information may be distributed in several databases and organized according to a common index. For example, users' personal information 230 can be stored in one database, with their financial information 240 stored in another and their user account information 250 stored in another. The records for a particular user 10 may then be indexed according to, e.g., the Subscriber ID 220 or a serial subscriber index number 210 as will be apparent to those skilled in the art.

#### Transactional Wagering Process

Once registration of a user 10 is completed, he is preferably immediately given a chance to participate in the wagering process by providing him with a transactional wagering screen as shown in Step 310 of FIG. 4 (this transactional wagering screen is also the screen registered users are taken to after logging in at the welcome screen discussed above). From the transactional wagering screen, a registered user 10 can select one of a number of options in Step 320:

- enter unmatched wager;
- match a previously-entered unmatched wager;
- display all wagers associated with the user 10;
- maintain the user account 250; and
- edit personal information 230.

#### Unmatched Wager Entry Process

Once the registered user 10 makes a selection from the transactional wagering screen in Step 320, in the preferred embodiment the wagering system 20 checks to see if he chose to place an

unmatched wager in Step 330. If so, the wagering system executes the unmatched wager entry routine in Step 335 and shown in greater detail in FIG. 5.

As used herein, an unmatched wager is a bet in the system which has been proposed by a user 10 but has not yet been accepted by another user 10. Thus, it may be thought of as an outstanding offer to make a bet under certain terms. By corollary, a matched wager is a bet in the system which has been proposed by one user and accepted by another user. Matched bets may be thought of as bets that have been "made", i.e., offered and accepted.

As shown in FIG. 5, to enter an unmatched bet, the wagering system 20 provides the user 10 with a form for entering the specifics of the bet. For example, in Step 410 the user 10 should specify the subject matter of the bet 540 (see FIG. 6), e.g., a sporting event, a political election or the like; in Step 420 the date 550 on which the event is expected to take place; in Step 430 the amount 560 the user 10 is wagering; and in Step 440 the odds 570 he is giving on the bet. Additionally, in Step 450 he may specify a deadline 580 which indicates the point in time by which the bet must be matched by another user 10 or it expires. Finally, the user 10 may designate another user 590 to whom the bet will first be offered in Step 460. Should the other user decline 590 to accept the bet, it may be offered to all registered users 10, or it may be discarded.

Optionally, rather than betting on the overall outcome of the event, a user 10 can bet on more detailed events such as which of the two competing teams will score first, which of the two teams' quarterbacks will pass for more yards, etc.

The above entry system provides one of the most flexible ways of entering an unmatched bet; however, there are other ways of performing this operation as well. One is providing an "instant" betting function whereby entry forms for certain events can be brought up with many of the information fields already filled in, so that the user 10 need only enter a minimal amount of information before submitting it to the system for posting. These instant bets can pertain to events which are particularly popular with the betting community. For example, the week before the Superbowl, the system may provide an "Instant Superbowl Bet" button on the screen which, when clicked, displays an unmatched bet entry form with the date, subject matter, event, date and the like already entered. In this case, the user 10 only need enter the amount he wishes to wager and the odds he is giving before submitting the bet to the system.

Another entry system might be to have a semi-structured entry system as an alternative to the freeform style described above. For example, the user 10 might be presented with a screen providing selections of various sports. Choosing "American Football", for example, would bring up a screen listing the various NFL and/or college football teams. Choosing an NFL team would in consequence bring up its remaining games in the season, and choosing one of the games would provide a bet entry screen for that game.

Optionally, the user 10 may indicate that the wager odds are to be dynamically updated so that they are at least as good as any other odds for a wager on the same event. For example, assume a first user 10 enters a wager on a boxing match, giving odds of 1:1 but instructing the wagering system 20 to dynamically update the wager. Then, if a second user 10 enters an unmatched wager on the same event at odds of, say, 3:2, in a search of the database for corresponding dynamically updated wagers, the wagering system 20 will find the first user's bet and automatically update the database entry for it to show the new best odds available to a matching user 10. In this way, the first user 10 can ensure that the odds offered on his bet are no worse than those of any other similar bet. This updating may be done without limit, or may be fixed to a certain specified maximum to avoid unethical manipulation of the system.

Once the wager terms are entered, in Step 470 the wagering system 20 checks them for errors and other problems. For example, it may check that the specified date and expiration deadline are in the future and that the specified event is expected to occur on that date. It may also verify that the amount of the bet is within predetermined system limits, e.g., between \$10 and \$100, and that the user 10 designated to receive an offer to match the bet is actually a registered user. If any of this information is found to be in error, the wagering system 20 can provide a message to the user 10 informing him of the nature of the error in Step 480 and permitting him to re-enter the bet terms or cancel the bet completely.

Similarly, the wagering system 20 can check to see if posting of this wager would mean that the user 10 has more than a maximum allowable number of wagers on the system, e.g., fifty. If this is the case, an error screen can be displayed in Step 480 and the user 10 returned to the transactional wager screen. Alternatively, this check can be done at the time the user 10 makes the new wager entry selection, thereby saving the subsequent data entry time.

If the terms are correct, in Step 490 the wagering system 20 creates a record 500 in the wager database 60 as shown in FIG. 6. The record 500 includes all information specified by the user 10 — subject matter 540, event date 550, wager amount 560, wager odds 570, expiration deadline 580 and designated recipient 590 — as well as a transaction code 510 which the wagering system 20 assigns to the unmatched wager, and an indication 520 (such as the user's Subscriber ID 220) of the user 10 making the wager.

Additionally, the system preferably includes a link to the unmatched bet in the wager information section 260 of the user's record in the user database 50 for reasons described in greater detail below.

After updating the wager database 60 to reflect the newly-created bet, the wagering system 20 preferably provides the user 10 with administrative information relating to the bet. For example, the message may explain any special conditions that apply to determining the outcome of a bet of that

particular type. For example, if the user 10 made a bet on a boxing match, the wagering system 20 might advise him that:

-- If a fight is postponed, bets in respect of that fight shall stand provided that the re-scheduled fight takes place within thirty days after the date of the original fight, otherwise relevant bets will be void and stakes will be returned.

-- Where, before the full number of rounds have been completed, a decision on the winner is made on the basis of points, bets will be settled on the basis of the round in which the fight was stopped.

-- Wagers stated to be won on points will only be valid if the full number of rounds are fought.

-- Where a boxer retires before the start of a round, the fight will be deemed to have ended in the previous round.

The wagering system 20 may optionally provide additional, more general information such as arbitration procedures and the like. Alternatively, the system may provide this information once during the initial registration process and thus avoiding displaying it to the user 10 with each bet.

#### Display or Match Unmatched Wager

Once an unmatched wager is entered by a user 10, it must be accepted, or "matched" by another user 10 to become effective. This is done by choosing the "Display Unmatched Wagers" selection of the transactional wager screen. As shown in FIG. 4, in this case the user's selection is recognized at Step 340 and the wagering system 20 lists all unmatched wagers present in the system at Step 345.

More specifically, as shown in FIG. 7, the wagering system 20 searches through the wager database 60 for all non-expired bets which are not yet matched in Step 610. This determination may be made by, for example, testing a "Matched" flag in the record for each bet, or preferably by examining the fields in the record indicating which users 10 are participating in the wager. If only one of the fields is filled in (with an indicator corresponding to the offering user), the bet is unmatched; if both fields are filled in, it is matched.

As an alternative to displaying all unmatched wagers, the user 10 may employ various search criteria in selecting wagers. For example, the user 10 can request only those wagers over a certain monetary amount which pertain to horse races conducted during a certain period of time in which a particular horse is competing. The search parameters that can be employed will, of course, be partially independent of the wagered events, e.g., amount, odds, etc., and partially dependent on the wagered event and its type.

Having identified the unmatched bets, in Step 620 the wagering system 20 generates a list which is displayed by the user 10 requesting the unmatched picks display. The list preferably includes basic information about the wager, such as event identifying information, amount wagered

and odds. It can also possibly indicate the Subscriber ID of the offering user as well as her general geographic area.

To allow the user to match one of the bets by accepting it, some mechanism is provided to allow the requesting user 10 to select one of the bets for participation. Preferably, this is done by making each listed bet a hyperlink and including a caption on the list advising the user 10 that clicking on any of the bets will match her to that bet and bind her into participating in it. Thus, after the user 10 selects one of the bets for participation and clicks on it in Step 630, the wagering system 20 performs some input checking in Step 640, e.g., to determine whether the user 10 has sufficient available funds in her user account to make the wager, and if the input checking fails the wagering system 20 provides an error screen to the user 10 informing her of the failure and returns to the transactional wager screen. A similar check can be performed to see if she is over the fifty wager maximum.

If the wager is permitted, the wagering system 20 denotes the user's participation by entering her name as the matching party 530 in the record for that wager in Step 650. Additionally, the wagering system 20 includes in the wager information section 260 of that user's record in the user database 50 a link to the wager record in the wager database 60. This is useful for advising the user 10 of all wagers in which she is involved, as described below. Finally, in Step 660 the wagering system 20 appropriately debits the user's account by making a record in it that an amount of money corresponding to the amount of the bet is frozen from further use, i.e., part of the user's account in the amount of the bet has been escrowed. As described in greater detail below, when the outcome of the bet is determined, if the user 10 loses this amount will be deducted from her user account, or if she wins this amount will be released for further use.

After this processing is done, in Step 670 the wagering system 20 can return the user 10 to the transaction wager screen.

#### **Display Associated Wagers**

To see a summary of the wagers in which a user 10 is involved, either in offering a wager or in matching a pre-existing bet, from the transactional screen he can choose to display his wager account in Step 350 of FIG. 4. This brings up the display wager account routine in Step 355. As shown in FIG. 8, this routine scans the wager database 60 in Step 710 to identify all wagers in which the user 10 is named as a party and in Step 720 adds them to a list which the wagering system 20 provides to the user 10 for display in Step 730. Preferably, the information in the list includes the transaction code, subject matter and date of the event, amount wagered and odds, and Subscriber ID and geographic area of the other party. The display also may include additional information such as the amount of the user's escrow encumbered by the outstanding bets and the amount of the escrow which remains available for wagering.

This routine is also an appropriate place for users 10 to inform the wagering system 20 of the outcome of freeform bets, described in greater detail below.

**Maintain User Account**

To perform transactions with a user's account, i.e., add funds to the account or withdraw funds from the account, a user 10 can select the Maintain User Account option on the transaction wager screen in Step 360. Then, the wagering system 20 executes the financial routine in Step 365 of FIG. 4. As shown in FIG. 9, in Step 810 the wagering system 20 displays the user's current balance and the amount of which is encumbered in currently matched bets and therefore unavailable for withdrawal.

In Step 820 the user 10 is presented with account maintenance options for adding funds to the account and withdrawing funds from the account. Should the user 10 choose to add funds to the user account in Step 830, she is provided with an appropriate screen for entering the amount to be added and authorizing a charge or withdrawal of that amount from the credit system 40 in Step 840. The charge or debit is made to the credit system 40, and if confirmation of the transaction is received from the credit system 40, the wagering system 20 returns to the transaction wager screen. If the charge or debit is declined, an error screen to that effect is displayed and the wagering system 20 returns to the transaction wager screen in Step 870.

Should the user choose to withdraw funds from the user account in Step 850, a similar screen is provided enabling her to make the transfer to the credit system 40 in Step 860. Once she authorizes the transfer, a check is done to ensure that the amount to be withdrawn is not greater than the maximum available funds, and if not, the transfer is made.

**Edit Personal Information**

By choosing the Edit Personal Information selection in Step 375 of FIG. 4, a user 10 can edit his personal profile in the user database 50 in the edit personal information routine of Step 375. This personal information can include his address and the other additional information he provided during the registration process. This selection is used to ensure that mailing addresses and the like for the user remain current.

**Wager Resolution Process**

The above discussion provides a complete description of the system as seen by users 10. To implement an operative system, however, a mechanism must be provided for determining the outcome of an event on which a bet is made, crediting the winner's account for the amount of her wager and debiting the loser's account for the amount of his wager. This is done by a wager processing routine which is run periodically on the wagering system 20.

Each wager on the system is classified into one of two groups: standard bets and freeform bets. Generally speaking, standard bets will be those for which the system can determine the outcome automatically and independently of the users 10 — for example, national sports league games, Olympic events and the like which will be reported in mass media or informational services.

Freeform bets, on the other hand, are generally bets for which the system must rely on the users 10 to report the outcome; e.g., whether one of the users' dogs will place first in a dog show.

For standard bets, the event outcome might be available in a format accessible to the wagering system software. In this case, the system can periodically, e.g., daily, obtain event results and notify the parties 10. If, however, the event outcome is not available in this manner, operators of the wagering system 20 can enter the required information from, e.g., newspapers, racing forms and the like. Then, the parties 20 can be notified of the outcome.

After the wagering system 20 notifies both parties to the bet of the outcome, they each have a predetermined grace period in which to object to that determination; if they have not objected by the end of the grace period, the outcome determination becomes binding on them, and the wagering system 20 appropriately adjusts the user accounts of the two users 10 after deducting appropriate commissions on a per transaction basis or, more preferably, on a percentage bet basis. The bet is then closed.

If, however, one of the bettors 10 objects to the determined outcome, the bettors 10 may void the bet and have their stakes returned from escrow by mutual consent. If both bettors 10 do not consent, the matter is referred to an arbitration panel for a second determination. If the decision of the arbitration panel is acceptable to the parties, winnings and losses are accounted for and the bet is closed. On the other hand, if the party adversely affected by the arbitration panel's decision objects to it, the bettors 10 are again given the chance to void the bet by mutual consent and have their stakes returned; otherwise, the bet is taken to an appeal process, the result of which is final.

It should be noted that in addition to the commissions deducted from the wager payoff above, additional charges may be made for arbitration as well as for appeal.

In contrast, in freeform bets each bettor 10 must report to the wagering system 20 the outcome of the bet within a specified period of time, e.g., seven days, after the event date. If both parties agree, the funds are distributed as above. If only one party responds, her report is considered to be the outcome of the bet and funds are distributed on that basis. If the parties 10 submit conflicting responses or neither responds at all, the bet is referred to arbitration and appeal as above.

Additional rules may be developed for special occurrences in the events, e.g.:

— If a dead-heat occurs, a wager as to which selection will occur first in an event shall be void, and the parties' stakes shall be returned.

— Where an event that is the subject of a wager does not occur, the bet will become void and the respective stakes returned to the subscribers. However, except in the case of horse racing, the bet shall remain valid where a given selection does not participate in a particular event.

-- If the outcome of a particular event or selection in an event is in doubt, that outcome should be determined by reference to the majority view published in relevant newspapers.

5       -- If an event does not go ahead or is abandoned having commenced, a wager in respect of that event will be void unless the selection upon which that wager depends has already occurred.

      -- If a match or event is postponed beyond its scheduled day, a wager in respect of that match or event will still be valid provided the match is ultimately played, or the event occurs, within seven days after its scheduled day.

10       -- If the venue for a match is changed, a wager in respect of that match will still be valid unless the venue is changed to the former away team's ground, in which case the wager will be deemed void.

      -- In matches, injury time and extra time do count, unless the terms for particular sports stipulate otherwise

15       -- All bets will be void in respect of a match where there is a change of opponent from that originally advertised.

#### Community Wagering

      In addition to the basic wagering process of posting an unmatched wager and matching it to form a bet as described above, users 10 may also be provided with the option of participating in one or more community wagering activities. As used herein, "community wager" means a wagering activity in which a user 10 engages in some type of communication with other users 10 above and beyond what is required in wager posting and matching. Two such types of community wagering are described herein: discussion group wagering, and pool betting.

20       To implement discussion group wagering, the wagering system 20 preferably provides a user 10 with another option on the transactional wagering screen of FIG. 4 which, when actuated, allows the user 10 to participate in a discussion with one or more other users 10. This may be done in a number of ways known in the art, e.g., by providing chat rooms in which users 10 having common interests, e.g., horse racing, can congregate and discuss topics of interest to them; by providing instant messaging services in which a user 10 may signal a number of other users 10 who are online that they  
30       communicate over a given interactive messaging channel to discuss a given sport or player; by e-mail between users 10; or the like. Such implementations may be web-based or may rely on some other communication protocol. Herein, these various implementations will collectively be referred to as "discussion group communication software".

      Preferably, the discussion group communication software is spawned as an independent process  
35       from the main wagering system screen so that users 10 can perform wager transactions without interrupting their discussion session.

Under these arrangements, when in the course of a discussion between two users 10 one would like to make a bet with another, he can actuate a control on his discussion group communication software to bring up an unmatched wager entry screen as described above, fill it in with the appropriate bet parameters, and indicate that it is to be a private wager, i.e., offered only to the other user 10. The other user 10 then may or may not match the wager at her discretion.

As an option, when the first user 10 posts the unmatched wager via a screen called up from the discussion group software, the wagering system 20 may notify the other user 10 via an automatically-generated chat message, an instant message, an e-mail or the like.

To implement pool betting, the wagering system 20 preferably provides users 10 with another option from the transactional wagering screen of FIG. 4. In response to this selection, a user 10 will be given the option of forming a new pool or entering an existing pool. To form a new pool, either a system employee or user 10 will define the pool, which may include both registered users and non-members. Initially, pools will be formed based on standard events such as the Superbowl or NCAA basketball. Some pools will be public (anyone may join them) and other pools will be private and can be joined by invitation only. The pool organizer defines the parameters of the pool and the payoffs for each result. These parameters will differ for each event. Also, the organizer can determine whether participants' selection is by choice or at random.

Once the new pool has been formed, the organizer can invite friends to join it via discussion groups, e-mails or similar communication systems. To join the pool, a user 10 chooses to enter an existing pool as described above and makes a menu selection or provides the name of the pool he wishes to join. The wagering system 20 then escrows the appropriate entry fee from the user's account. When the wagered-on event occurs, the wagering system 20 will distribute the aggregated entry fees to the users 10 according to each user's point total and the rules defined for the pool using techniques similar to those described above for standard and freeform bets, less system commissions and other fees. Alternatively, the wagering system 20 may only allow standard bets on events for which it can learn the outcome, and not permit the arbitration/appeal process described above.

The present invention has been described above in connection with a preferred embodiment thereof; however, this has been done for purposes of illustration only, and the invention is not so limited.

For example, although the preferred embodiment of the present invention has been described in terms of an online wagering system which allows users to place wagers using money, the invention is not so limited, and embodiments using non-monetary instruments such as products or "reward points" or "loyalty points" in the vein of frequent flyer programs, trading stamp programs and the like are contemplated as being within the scope of the present invention. Such variations of the invention will be readily apparent to those skilled in the art and also fall within the scope of the invention.

**WHAT IS CLAIMED IS:**

1. A system for conducting online wagering, the system comprising;  
a distributed communication network;  
a plurality of user's computer systems connected to the network; and  
a wagering system for receiving a bet from a first one of the plurality of users over the network, matching it to another one of the plurality of users, and distributing funds between the users according to terms of the bet.
2. A system for conducting online wagering, the system comprising:  
a distributed communication network;  
a plurality of user computer systems connected to the network; and  
a wagering system;  
wherein a first one of the plurality of user computer systems includes a software program enabling the user computer system to communicate over the network to the wagering system an unmatched bet having odds specified by a first user associated with the user computer system; and  
the wagering system is for receiving the unmatched bet and matching it to a second user associated with a second one of the plurality of user computer systems, thus signifying that the second user accepts the bet including the odds specified by the first user.
3. A system for conducting online wagering, the system comprising;  
a distributed communication network;  
a plurality of user's computer systems connected to the network; and  
a wagering system for receiving a first unmatched bet on an event from a first one of the plurality of users over the network, receiving a second unmatched bet on the event from a second one of the plurality of users over the network, and when odds of the second bet are more favorable to a matching user than odds of the first bet, changing the odds of the first bet to be at least as favorable as the odds of the second bet.
4. A system for conducting online wagering, the system comprising;  
a distributed communication network;  
a plurality of user's computer systems connected to the network; and  
a wagering system for establishing accounts for the plurality of users, receiving a bet from a first one of the plurality of users over the network, matching it to a second one of the plurality of users, and transferring funds from an account of the one of the first and second users who lost the bet to an account of the one of the first and second users who won the bet.

5. A system for conducting online wagering, the system comprising;
  - a distributed communication network;
  - a plurality of user's computer systems connected to the network; and
  - a wagering system for receiving a bet on an event from a first one of the plurality of bettors over the network, matching it to a second one of the plurality of users, receiving a report of the outcome of the event from one of the first and second users, and distributing funds between the users according to the outcome of the event as reported by the one of the first and second users.
6. A system for conducting online wagering, the system comprising;
  - a distributed communication network;
  - a plurality of user's computer systems connected to the network; and
  - a wagering system for receiving a bet on an event from a first one of the plurality of users over the network, matching it to a second one of the plurality of users, proposing a payout on the bet according to an asserted outcome of the event to the first and second users, and facilitating a resolution of the bet external to the system when the payout is not acceptable to one of the first and second users.
7. A system for conducting online wagering, the system comprising;
  - a distributed communication network;
  - a plurality of user computer systems connected to the network; and
  - a wagering system;

wherein a first one of the plurality of user computer systems includes a software program enabling the user computer system to communicate over the network to the wagering system an unmatched bet having parameters specified by a first user associated with the user computer system;

the software program is for permitting entry of the parameters via an entry screen displayed on the user computer system in which at least one bet parameter is assigned a predetermined value; and

the wagering system is for receiving the unmatched bet and matching it to a second user associated with a second one of the plurality of user computer systems.
8. A system for conducting online wagering, the system comprising;
  - a distributed communication network;
  - a plurality of user's computer systems connected to the network; and
  - a wagering system for establishing a betting pool amongst the users according to predetermined rules, determining an outcome of an event to which the betting pool pertains, and for transferring funds from accounts of those of the plurality of users who lose the pool to those of the plurality of users who win the pool according to the event outcome and the rules.

9. A system for conducting online wagering, the system comprising:  
a distributed communication network;  
a plurality of user's computer systems connected to the network; and  
a wagering system for providing a communication facility for the plurality of users to communicate with one another via the user's computer systems;  
wherein the communication facility includes, for each user, means for communicating with another user and means for providing to the another user an unmatched bet to be matched by the another user.
10. A method for conducting online wagering, comprising:  
receiving a proposed bet from a first user over a distributed communication network;  
receiving a request to match the proposed bet from a second user over the network;  
matching the second user to the bet so that the first and second users make a wager according to the terms of the bet; and  
distributing funds between the two users according to the terms of the bet.
11. A method for conducting online wagering, comprising:  
entering, via a first user's computer, a proposed bet including an odds term specified by the first user;  
receiving the proposed bet from the first user's computer over a distributed communication network;  
receiving a request to match the proposed bet from a second user over the network; and  
matching the second user to the bet so that the first and second users make a wager according to the terms of the bet, including the odds term specified by the first user.
12. A method for conducting online wagering, comprising:  
receiving a first unmatched bet on an event from a first user over a distributed communication network, the first bet including an odds term;  
receiving a second unmatched bet on an event from a second user over the network, the second bet including an odds term;  
comparing the odds term of the first and second bets; and  
when the odds for the second bet are more favorable to a matching user than the odds for the first bet, changing the odds on the first bet to be at least as favorable to the matching party as the odds of the second bet.

13. A method for conducting online wagering, comprising:
  - receiving a proposed bet on an event from a first user over a distributed communication network;
  - receiving a request to match the proposed bet from a second user over the network;
  - matching the second user to the bet so that the first and second users make a wager according to the terms of the bet; and
  - according to the outcome of the event, transferring funds from an account of the one of the first and second users who lost the bet to an account of the one of the first and second users who won the bet.
14. A method for conducting online wagering, comprising:
  - receiving a proposed bet on an event from a first user over a distributed communication network;
  - receiving a request to match the proposed bet from a second user over the network;
  - matching the second user to the bet so that the first and second users make a wager according to the terms of the bet;
  - receiving a report on the outcome of the event from one of the first and second users; and
  - distributing funds between the two users according to the outcome of the event as report by the one of the first and second users.
15. A method for conducting online wagering, comprising:
  - receiving a proposed bet from a first user over a distributed communication network;
  - receiving a request to match the proposed bet from a second user over the network;
  - matching the second user to the bet so that the first and second users make a wager according to the terms of the bet;
  - proposing a payout on the bet according to an outcome of the event to the first and second users; and
  - facilitating a resolution of the bet external to the system when the payout is not acceptable to one of the first and second users.
16. A method for conducting online wagering, comprising:
  - displaying, on a first user's computer, a bet entry screen having a plurality of fields each for entering a parameter of a bet, at least one of the fields being filled with a predetermined value;
  - entering, via the first user's computer, a proposed bet;
  - receiving the proposed bet from the first user's computer over a distributed communication network;

receiving a request to match the proposed bet from a second user over the network; and  
matching the second user to the bet so that the first and second users make a wager according to the terms of the bet.

17. A method for conducting online wagering, comprising:

using a wagering system to include a plurality of users connected to the wagering system over a distributed communication system in a betting pool;

determining an outcome of an event to which the betting pool pertains; and

distributing funds from accounts of those of the plurality of users who lose the pool to those of the plurality of users who win the pool according to the event outcome and predetermined rules of the betting pool.

18. A method for conducting online wagering, comprising:

using a wagering system to include a first user in a discussion group communication session over a distributed communication network;

using the wagering system to include a second user in the discussion group communication session over the network so that the first and second users can communicate with one another;

responsive to a communication between the first and second users, providing an unmatched bet created by the first user to the second user; and

responsive to a communication of the second user, matching the bet with the second user to form a bet between the first and second users.

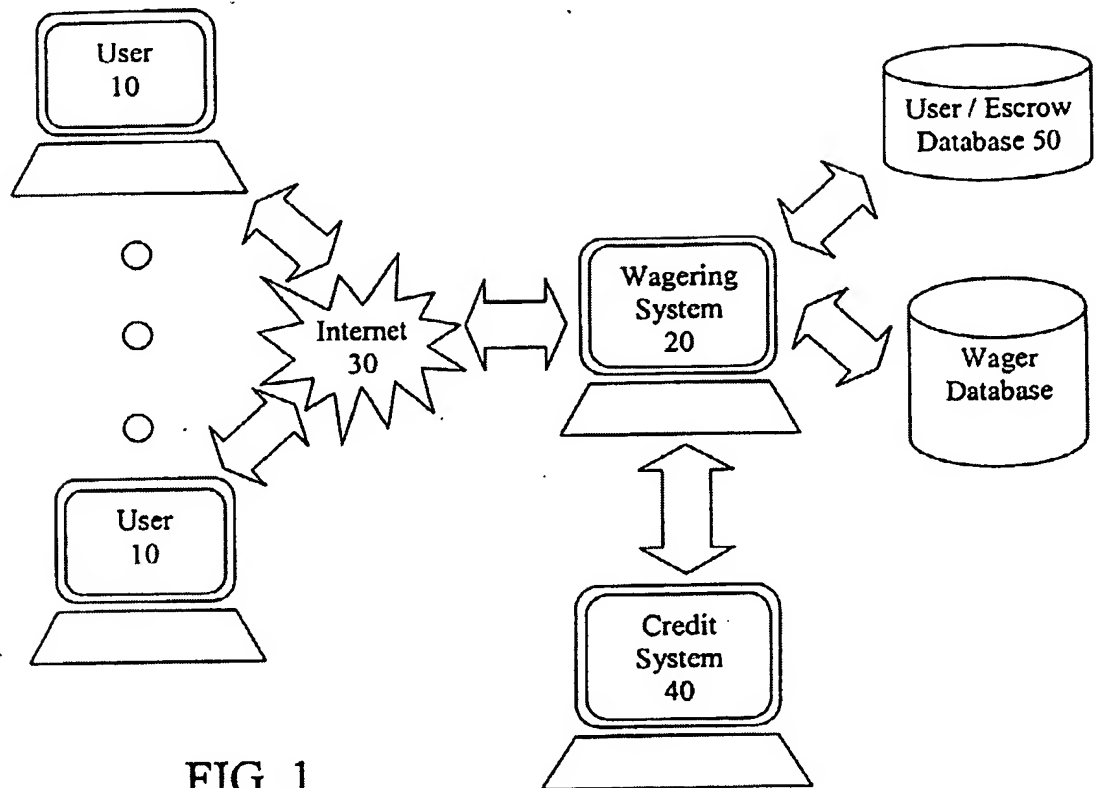
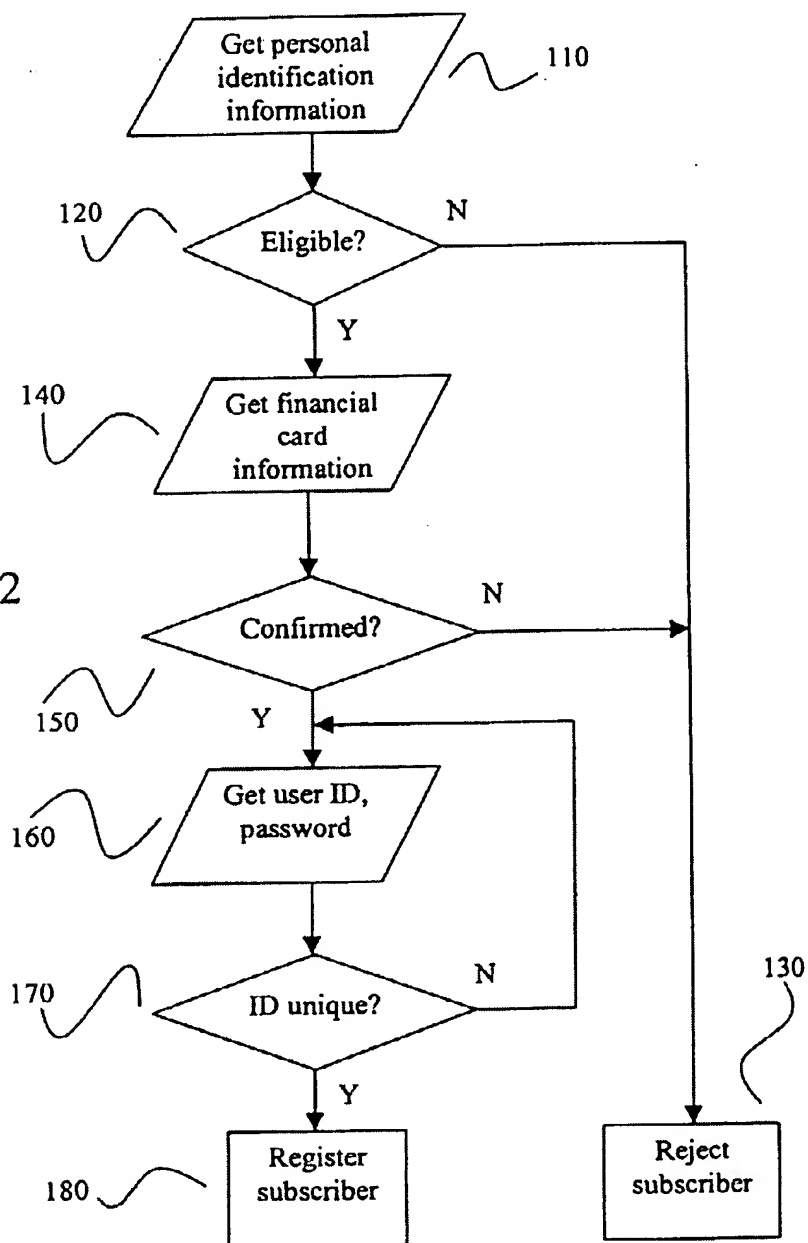


FIG. 2



User database record 200
Serial subscriber index number 210
Subscriber ID 220
Personal Information 230
Financial information 240
Escrow information 250
Wager information 260

FIG. 3

Wager database record 500
Transaction code 510
Offering party 520
Matching party 530
Subject matter 540
Event date 550
Wager amount 560
Wager odds 570
Expiration deadline 580
Designated recipient 590

FIG. 6

FIG. 4

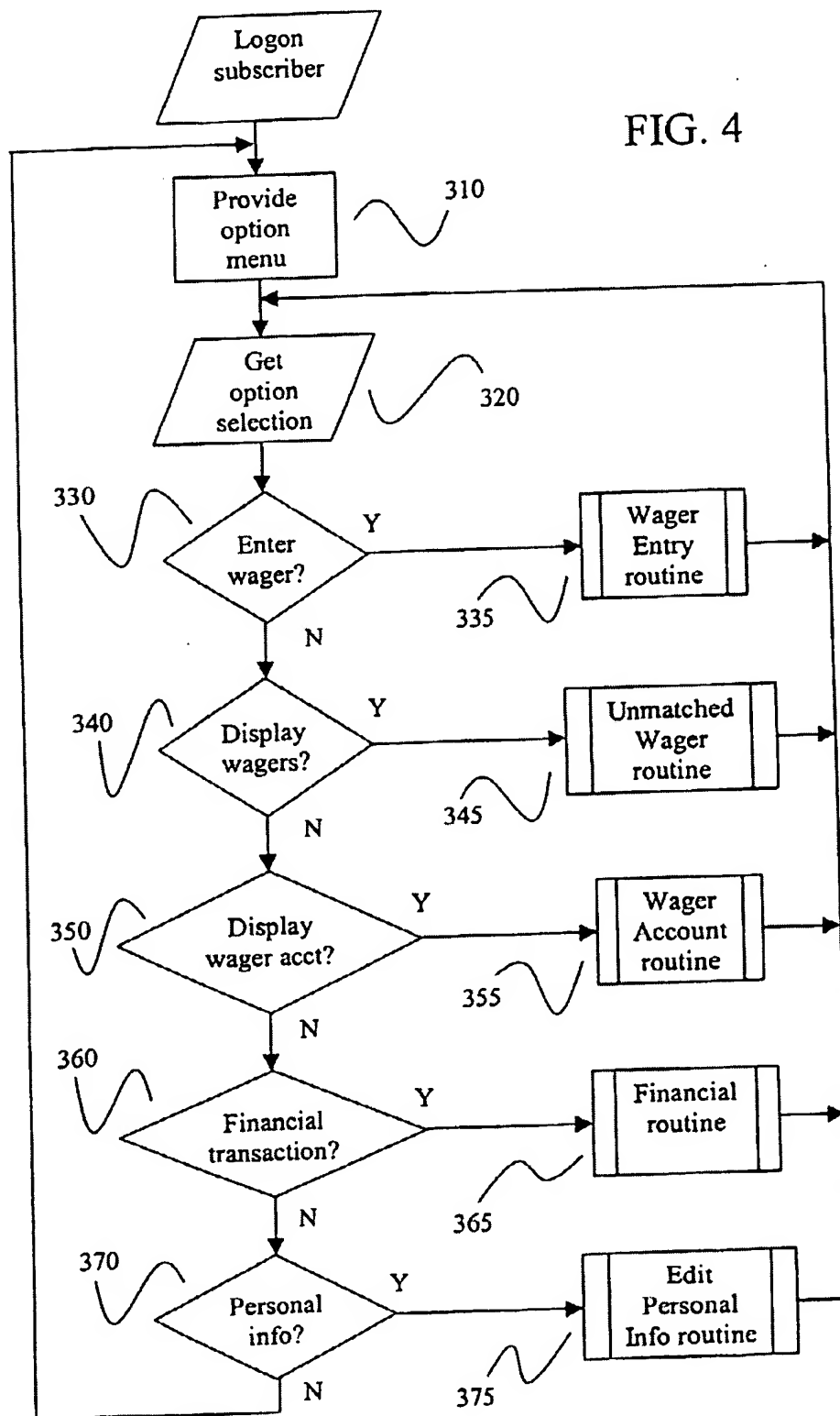
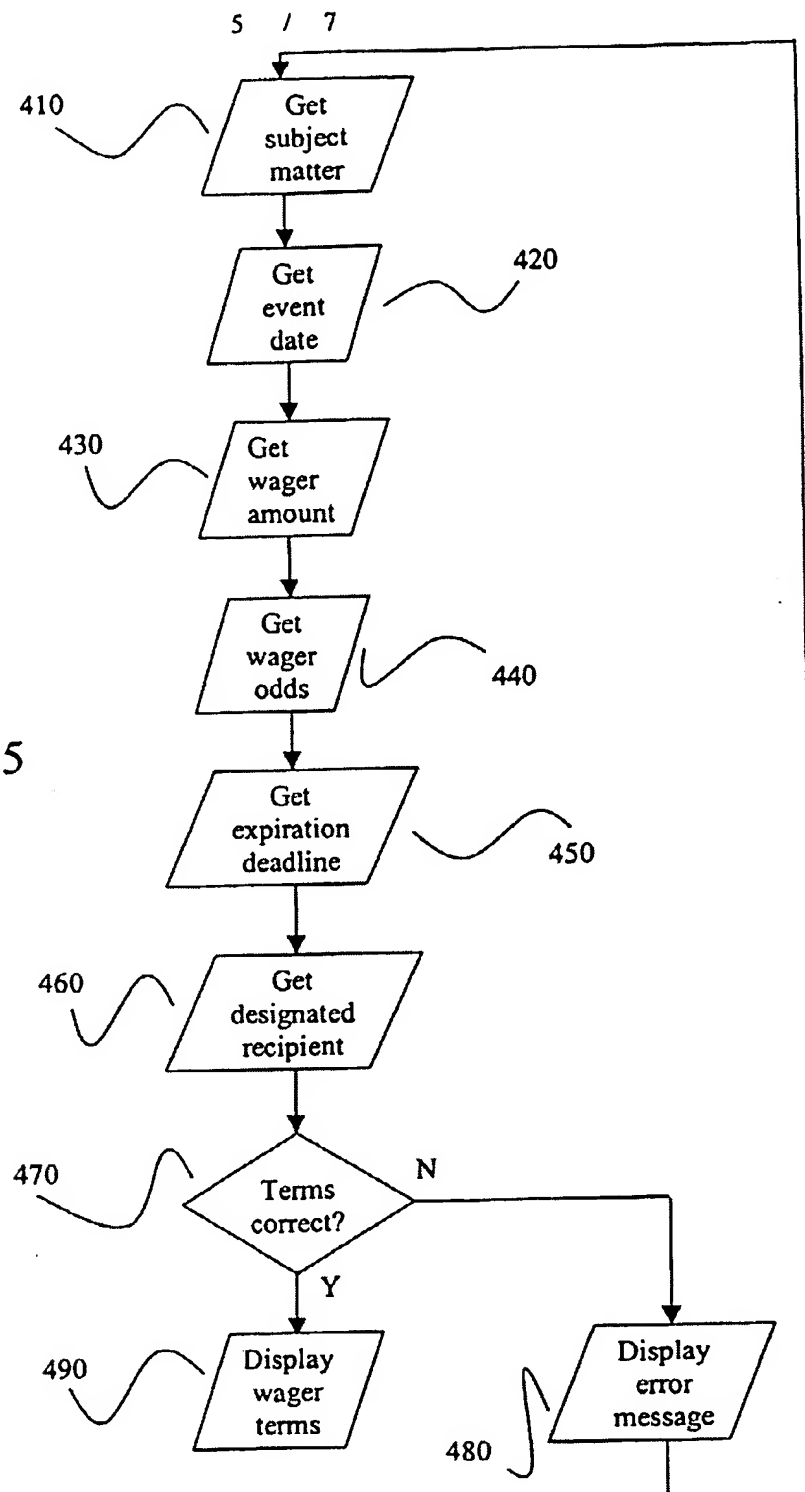


FIG. 5



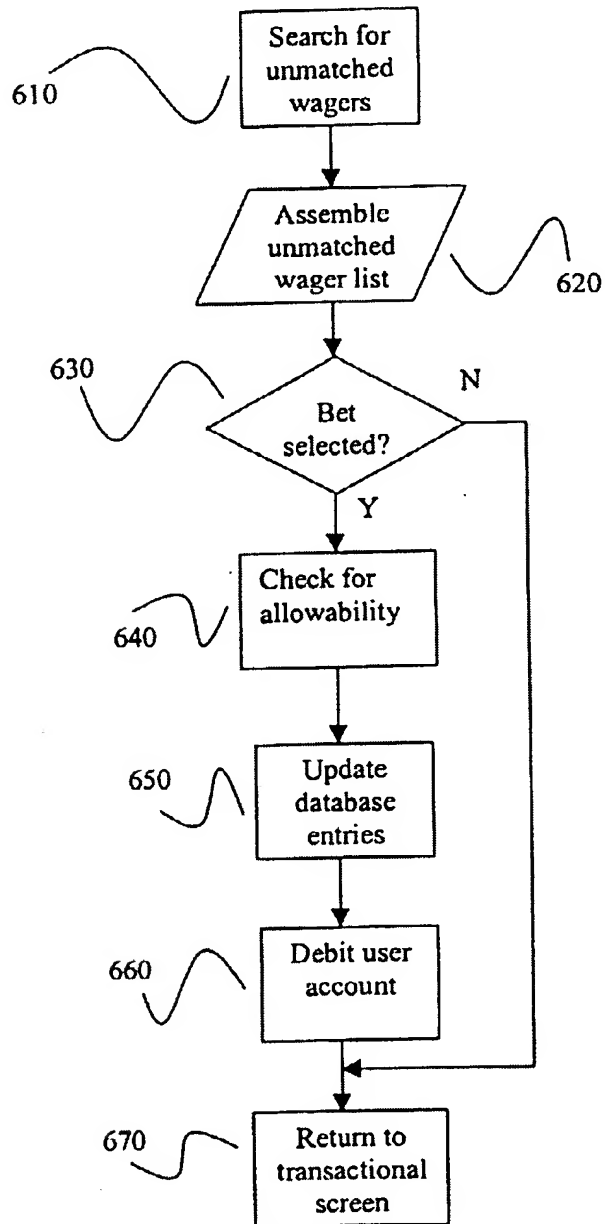


FIG. 7

FIG. 8

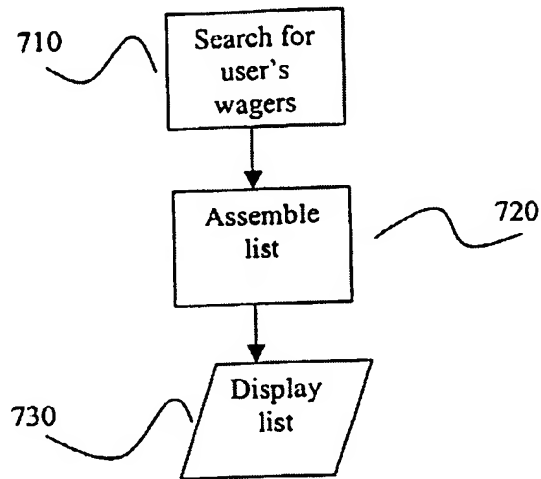


FIG. 9

